

CITY OF ALTON, IOWA  
Alton, Iowa

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION AND  
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended  
June 30, 2009

**CITY OF ALTON, IOWA  
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**CITY OF ALTON, IOWA**

**OFFICIALS**

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
Ron Minten	Mayor	January, 2010
Blake Bengard	Mayor Pro-Tem	January, 2010
Leon Kleinhesselink	Council Member	January, 2012
John Menning	Council Member	January, 2012
Jerry Henrich	Council Member	January, 2012
Patrick Van Gelder	Council Member	January, 2010
Dale Oltmans	City Administrator	January, 2009
Mary Kruizenga	Deputy Clerk	January, 2009
Brad DeJong	Attorney	January, 2009



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Alton, Iowa  
Alton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Alton, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Alton, as of June 30, 2009 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009 on our consideration of the City of Alton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 21 through 22 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alton's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*William & Company P.C.*  
Certified Public Accountants

December 10, 2009  
Le Mars, Iowa

**CITY OF ALTON, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

The City of Alton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2009 FINANCIAL HIGHLIGHTS**

- Receipts of the General Fund decreased \$76,400 from fiscal year 2008 to fiscal 2009.
- Disbursements of the General Fund increased \$107,257 in fiscal 2009 from fiscal 2008.
- The City's total General Fund cash basis net assets decreased \$33,554 from June 30, 2008 to June 30, 2009.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's Basic Financial Statements consist of a Government Wide Statement of Activities and Net Assets – Cash Basis, and Statements of Cash Receipts and Disbursements, Governmental Funds and Proprietary Funds. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's funds.

**BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, and is another comprehensive basis of accounting. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**REPORTING THE CITY'S FINANCIAL ACTIVITIES**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets – Cash Basis reports information which helps answer this question.

The statement of activities and net assets presents the City's net assets. Over time, increases or decreased in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities and net assets is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants and charges for services finance most of these activities.
- Business-type activities include the electric, water, sewer and gas. These activities are financed primarily by user charges.

### **Fund Financial Statements**

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains four Enterprise Funds to provide separate information for the Water Fund, Electric Fund, Sewer Fund and Gas Fund.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, to \$790,229 from \$838,563. The analysis that follows focuses on the changes in cash balances for governmental activities.

### Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30,	
	2009	2008
Receipts:		
Program Receipts:		
Charges for Service .....	\$ 138,173	\$ 84,229
Operating Grants & Contributions .....	155,221	347,979
General Receipts		
Property Tax .....	374,802	366,714
Tax Increment Financing Collections .....	407,675	391,287
Local Option Sales Tax .....	121,934	114,535
Interest .....	17,054	45,552
Other General Receipts .....	57,415	43,955
Sale of Capital Assets .....	10,826	95,942
Proceeds from Debt .....	-	674,407
Total Receipts	1,118,390	1,998,449
Disbursements:		
Public Safety .....	150,458	139,189
Public Works .....	231,035	170,622
Health and Social Services .....	2,500	1,000
Culture and Recreation .....	118,510	112,493
Community and Economic Development .....	142,802	152,103
General Government .....	63,142	93,718
Debt Service .....	308,518	318,591
Capital Projects .....	149,759	843,548
Total Disbursements	1,166,724	1,831,264
Increase (Decrease) in Cash Basis Net Assets Before Transfers	(48,334)	167,185
Net Transfers .....	(164,710)	(166,151)
Cash Basis Net Assets – Beginning of Year	838,563	671,378
Cash Basis Net Assets – End of Year	\$ 790,229	\$ 838,563

### Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2009	2008
Receipts:		
Operating Receipts:		
Water .....	\$ 209,172	\$ 215,218
Electric .....	738,811	743,400
Sewer .....	102,003	102,146
Gas .....	55,238	-
Interest .....	47,686	44,356
Proceeds from Debt .....	680,000	-
Total Receipts	1,997,620	1,271,271
Disbursements:		
Operating Disbursements:		
Water .....	181,107	187,719
Electric .....	743,438	696,649
Sewer .....	111,270	89,029
Gas .....	679,010	4,780
Total disbursements	1,714,825	978,177
Net Change in Cash Basis Net Assets, Before Transfers	282,795	293,094
Net Transfers .....	164,710	166,151
Cash Basis Net Assets – Beginning of Year	1,162,369	869,275
Cash Basis Net Assets – End of Year	\$ 1,445,164	\$ 1,162,369



## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Alton completed the year, its governmental funds reported a combined fund balance of \$790,229 a decrease of \$48,334 over last year's total of \$838,563. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund decreased by \$33,554 due to the purchase of a payloador and payment of Economic Development costs.
- The TIF Fund cash balance increased by \$72,346 due to increases in valuation of property within the District.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Alton completed the year, its business type funds reported a combined fund balance of \$1,445,164 an increase of \$282,795 over last year's total of \$1,162,369. The following are the major reasons for the changes in fund balances of the business type funds from the prior year.

- The Water Fund cash balance increased by \$57,392 to \$344,288.
- The Electric Fund cash balance increased by \$48,656 to \$670,094.
- The Sewer Fund cash balance increased by \$49,377 to \$308,192.
- The Gas Fund cash balance increased by \$127,370 to \$122,590.

These increases are due primarily to a reduction of disbursements, transfers from TIF funds and the first year of the gas utility.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. This amendment was approved on May 12, 2009 and resulted in an increase in budgeted receipts of \$309,000 and an increase in budgeted disbursements of \$337,000. The City had sufficient cash balances to absorb these additional costs.

## DEBT ADMINISTRATION

A comparison of the City's debt outstanding at June 30, 2009 to June 30, 2008 follows:

	Year Ended June 30,	
	2009	2008
G.O. Bonds and Notes.....	\$ 1,795,000	\$ 2,020,000
Water Revenue Bonds.....	95,000	100,000
Gas Revenue Bonds.....	680,000	-
Total	<u>\$ 2,570,000</u>	<u>\$ 2,120,000</u>

## ECONOMIC FACTORS

The City removed and replaced pavement on 6½ blocks of 10<sup>th</sup> Street. 3 blocks of water main were also upgraded from 4" to 8". This is a part of the City's comprehensive street plan. More streets will be addressed as funding becomes available.

The City acquired the Natural Gas system from MidAmerican Energy April 1, 2009. The City contracted with Orange City for the Gas Superintendent. It was purchased with a revenue loan from three local banks.

The City gave incentives to two businesses which both relocated from other communities into the Alton Industrial Park.

The City maintains an Option for Purchase of 15 more acres of developed property within the Industrial Park. All streets and infrastructure are in place.

The City expanded the Natural Gas and Electric distribution in the Industrial Park to allow for more development.

The City purchased the former post office building, and through incentives sold the building, which now houses four service businesses.

The City is working with the current owner of the local restaurant which is closed. The City will use financial incentives to help a new owner with start up.

The City developed Fairview Meadows Housing development funding it with loans from the City's utilities. Two lots sold recently and a new home is currently being constructed on a third lot. This leaves only three lots left from 24 lots.

The City of Alton has an Option for Purchase of an additional 75.53 acres adjacent to Fairview Meadows. The City is currently pursuing another housing development area on 30 acres of that land.

The City recently completed an Electric Rate Study and there will be an approximate 6% increase in rates to keep up with the rising cost of purchased power.

The City will be conducting Water and Sewer rate studies in 2009-2010.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Dale Oltmans, City Administrator, Alton, Iowa.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ALTON, IOWA**  
**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
**For the Year Ended June 30, 2009**

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
Governmental Activities:			
Public Safety	\$ 150,458	\$ 26,451	\$ -
Public Works	231,035	124,829	90,852
Health and Social Services	2,500	-	-
Culture and Recreation	118,510	9,092	64,369
Community and Economic Development	210,171	-	-
General Government	63,142	14,758	-
Capital Outlay	82,390	-	-
Debt Service:			
Principal	225,000	-	-
Interest	83,518	-	-
Total Governmental Activities	1,166,724	175,130	155,221
<b>Business-Type Activities:</b>			
Electric Utility	743,438	738,811	-
Sewer Utility	111,270	102,003	-
Water Utility	181,107	209,172	-
Gas Utility	679,010	55,238	-
Total Business-Type Activities:	1,714,825	1,105,224	-
<b>Total Primary Government</b>	<b>\$ 2,881,549</b>	<b>\$ 1,280,354</b>	<b>\$ 155,221</b>

General Receipts:  
 Property taxes  
 Tax Increment Financing  
 Local Option Sales Tax  
 Interest  
 Sale of Assets  
 Miscellaneous  
 Proceeds from Financing  
 Interfund Transfers  
 Total general receipts and transfers  
 Change in cash basis net assets  
 Net assets cash basis - beginning  
 Net assets cash basis - ending

Cash Basis Net Assets  
 Restricted:  
 Streets  
 Urban Renewal Purpose  
 Debt Service  
 Capital Projects  
 Unrestricted  
 Total Cash Basis Net Assets

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (124,007)		\$ (124,007)
(15,354)		(15,354)
(2,500)		(2,500)
(45,049)		(45,049)
(210,171)		(210,171)
(48,384)		(48,384)
(82,390)		(82,390)
(225,000)		(225,000)
(83,518)		(83,518)
<u>(836,373)</u>		<u>(836,373)</u>
	\$ (4,627)	(4,627)
	(9,267)	(9,267)
	28,065	28,065
	<u>(623,772)</u>	<u>(623,772)</u>
	<u>(609,601)</u>	<u>(609,601)</u>
<u>(836,373)</u>	<u>(609,601)</u>	<u>(1,445,974)</u>
374,802	-	374,802
407,675	-	407,675
121,934	-	121,934
17,054	47,686	64,740
3,000	-	3,000
28,284	-	28,284
-	680,000	680,000
<u>(164,710)</u>	<u>164,710</u>	<u>-</u>
<u>788,039</u>	<u>892,396</u>	<u>1,680,435</u>
<u>(48,334)</u>	<u>282,795</u>	<u>234,461</u>
<u>838,563</u>	<u>1,162,369</u>	<u>2,000,932</u>
<u>\$ 790,229</u>	<u>\$ 1,445,164</u>	<u>\$ 2,235,393</u>
\$ 64,253	\$ -	\$ 64,253
51,125	-	51,125
35,930	70,000	105,930
288,892	-	288,892
350,029	1,375,164	1,725,193
<u>\$ 790,229</u>	<u>\$ 1,445,164</u>	<u>\$ 2,235,393</u>

**CITY OF ALTON, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN CASH BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

	General	Special Revenue Tax Increment Financing	Capital Project Residential Development
Receipts:			
Property Taxes	\$ 225,360	\$ -	\$ -
TIF Revenue	-	365,585	-
Licenses and Permits	14,758	-	-
Intergovernmental	10,388	-	-
Charges for Services	78,602	-	-
Sale of Lots	7,826	-	28,122
Fines	1,196	-	-
Special Assessments	-	-	-
Rental of City Property	5,107	-	-
Interest on Investments	11,205	3,387	-
Miscellaneous	26,634	-	-
Total Receipts	381,076	368,972	28,122
Disbursements:			
Public Safety	150,458	-	-
Public Works	131,381	-	-
Health and Social Services	2,500	-	-
Culture and Recreation	118,510	-	-
Community and Economic Development	107,634	30,020	3,000
General Government	57,816	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Total Disbursements	568,299	30,020	3,000
Excess (Deficiency) of Receipts to Disbursements	(187,223)	338,952	25,122
Other financing sources (uses):			
Sale of Assets	3,000	-	-
Transfers In	167,685	57,757	-
Transfers Out	(17,016)	(324,363)	-
Total other financing sources (uses)	153,669	(266,606)	-
Net Change in Cash Balances	(33,554)	72,346	25,122
Cash Balances (Deficits) Beginning of Year	383,583	(31,267)	269,022
Cash Balances End of Year	350,029	41,079	294,144
Cash Basis Fund Balances:			
Reserved for Debt Service			
Unreserved:			
General Fund	350,029		
Special Revenue Funds		41,079	
Capital Project Fund			294,144
	\$ 350,029	\$ 41,079	\$ 294,144

See Accompanying Notes to Financial Statements

Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 134,309	\$ 15,133	\$ 374,802
-	42,090	407,675
-	-	14,758
-	277,155	287,543
-	-	78,602
-	-	35,948
-	-	1,196
29,131	-	29,131
-	-	5,107
1,599	863	17,054
-	1,650	28,284
165,039	336,891	1,280,100
-	-	150,458
-	99,654	231,035
-	-	2,500
-	-	118,510
-	69,517	210,171
-	5,326	63,142
-	82,390	82,390
-	-	-
225,000	-	225,000
83,518	-	83,518
308,518	256,887	1,166,724
(143,479)	80,004	113,376
-	-	3,000
170,280	34,354	430,076
-	(253,407)	(594,786)
170,280	(219,053)	(161,710)
26,801	(139,049)	(48,334)
9,129	208,096	838,563
35,930	69,047	790,229
35,930		35,930
		350,029
	74,299	115,378
	(5,252)	288,892
\$ 35,930	\$ 69,047	\$ 790,229

See Accompanying Notes to Financial Statements

**CITY OF ALTON, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN CASH BALANCES**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	<b>Enterprise Funds</b>	
	<b>Electric Utility</b>	<b>Water Utility</b>
<b>Operating Receipts:</b>		
Charges for Services	\$ 738,811	\$ 209,172
<b>Total Operating Receipts</b>	<u>738,811</u>	<u>209,172</u>
<b>Operating Disbursements:</b>		
Operating Disbursements	684,445	163,107
Capital Outlay	58,993	10,000
<b>Total Operating Disbursements</b>	<u>743,438</u>	<u>173,107</u>
<b>Excess (Deficiency) of Receipts Over Disbursements</b>	(4,627)	36,065
<b>Non-Operating Receipts (Disbursements):</b>		
Interest Income	24,177	13,858
Proceeds from Financing	-	-
Interest Expense	-	(3,000)
Principal Payments	-	(5,000)
<b>Total Non-Operating Receipts (Disbursements)</b>	<u>24,177</u>	<u>5,858</u>
<b>Excess (Deficiency) of Receipts Over Disbursements</b>	19,550	41,923
<b>Transfers In</b>	99,106	15,469
<b>Transfers Out</b>	<u>(70,000)</u>	<u>-</u>
<b>Change in Cash Balances</b>	48,656	57,392
<b>Cash Balances Beginning of Year</b>	<u>621,438</u>	<u>286,896</u>
<b>Cash Balances End of Year</b>	<u><u>670,094</u></u>	<u><u>344,288</u></u>
<b>Cash Basis Net Assets</b>		
Reserved for Debt Service	-	-
Unreserved	670,094	344,288
<b>Total Cash Basis Net Assets</b>	<u>\$ 670,094</u>	<u>\$ 344,288</u>



Enterprise Funds		
Sewer Utility	Gas Utility	Total
\$ 102,003	\$ 55,238	\$ 1,105,224
102,003	55,238	1,105,224
84,458	89,071	1,021,081
26,812	589,939	685,744
111,270	679,010	1,706,825
(9,267)	(623,772)	(601,601)
8,509	1,142	47,686
-	680,000	680,000
-	-	(3,000)
-	-	(5,000)
8,509	681,142	719,686
(758)	57,370	118,085
50,135	70,000	234,710
-	-	(70,000)
49,377	127,370	282,795
258,815	(4,780)	1,162,369
308,192	122,590	1,445,164
-	70,000	70,000
308,192	52,590	1,375,164
\$ 308,192	\$ 122,590	\$ 1,445,164

CITY OF ALTON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Alton is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, community and economic development and general government services. The City also provides water, sewer, electrical, and natural gas utilities for its citizens.

**A. Reporting Entity**

For Financial reporting purposes, the City of Alton has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Alton has no component units.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: County Emergency Management Commission, Northwest Iowa Solid Waste, Northwest Iowa Economic Development Coalition, and Northwest Iowa Regional Housing Authority.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Project Residential Development Fund is utilized to account for the development of Fairview Meadows housing subdivision.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

**C. Measurement Focus and Basis of Accounting**

The City of Alton maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial statements of the City are prepared on that basis. The cash basis of accounting does not

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

give effect to accounts receivable, accounts payable and other accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**Note 2 – CASH AND POOLED INVESTMENTS**

The City's deposits at June 30, 2009 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30 2009; however the City's time deposits were as follows:

Certificates of Deposit	<u>\$374,120</u>
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Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**NOTE 3 – BONDS AND NOTES PAYABLE**

The City's computed legal debt limit as of June 30, 2009, is \$3,307,163 of which \$1,795,000 is committed for outstanding general obligation debt.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)**

The following is a summary of bond transactions of the City for the year ended June 30, 2009:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
	<b>Bonds and Notes Payable by Debt Service Fund</b>	<b>Bonds and Notes Paid by Enterprise Funds</b>
<b>Primary Government</b>		
Bonds and notes payable July 1, 2008	\$ 2,020,000	\$ 100,000
Plus: bonds and notes issued	----	680,000
Less: payments	(225,000)	(5,000)
Bonds and notes payable June 30, 2009	\$ 1,795,000	\$ 775,000
Due within one year	\$ 210,000	\$ 6,000

The City of Alton had the following outstanding bonds as of June 30, 2009:

<b>Bond/Note</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Final Due Date</b>	<b>Annual Payments</b>	<b>Amount Originally Issued</b>	<b>Outstanding June 30, 2009</b>	<b>Due Within One Year</b>
General Obligation- Pool	12/01/03	1.40-4.40%	2017	\$60,000 - \$105,000	\$ 1,015,000	\$ 510,000	\$ 65,000
General Obligation- Industrial Park	10/13/04	2.65-3.90%	2013	\$60,000 - \$75,000	470,000	280,000	65,000
General Obligation- Hospital	11/14/05	3.40-4.85%	2025	\$20,000 - \$35,000	500,000	440,000	20,000
General Obligation- Paving	06/26/07	4.00-4.45%	2017	\$60,000 - \$80,000	685,000	565,000	60,000
Water Revenue Bond	10/15/03	3.00%	2023	\$5,000 - \$8,000	125,000	95,000	60,000
Gas Revenue Bond	03/24/09	5.90%	2029	\$20,000 - \$60,000	680,000	680,000	-
<b>Total Bonds Due</b>					<b>\$ 3,475,000</b>	<b>\$ 2,570,000</b>	<b>\$ 216,000</b>

Annual debt service requirements to maturity of General Obligation Bonds and Notes, revolving loan fund loans, special assessment notes and Revenue Capital Loan Notes are as follows:

<b>Year Ending June 30</b>	<b>Swimming Pool GO Bond</b>		<b>Industrial Park Street Bond</b>		<b>Hospital Project Bond</b>		<b>Industrial Park Paving Bond</b>		<b>Total Governmental</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 65,000	\$20,130	\$ 65,000	\$10,213	\$20,000	\$19,643	\$60,000	\$24,215	\$210,000	\$ 74,201
2011	70,000	17,920	70,000	8,035	20,000	18,903	65,000	21,755	225,000	66,613
2012	65,000	15,400	70,000	5,550	20,000	18,133	65,000	19,058	220,000	58,140
2013	50,000	12,930	75,000	2,925	20,000	17,333	70,000	16,328	215,000	49,515
2014	60,000	10,980	-	-	25,000	16,513	70,000	13,353	155,000	40,845
2015-2019	200,000	17,750	-	-	135,000	66,588	235,000	20,983	570,000	105,320
2020-2024	-	-	-	-	165,000	32,643	-	-	165,000	32,643
2025-2029	-	-	-	-	35,000	1,698	-	-	35,000	1,698
<b>Total</b>	<b>\$510,000</b>	<b>\$95,110</b>	<b>\$280,000</b>	<b>\$26,723</b>	<b>\$440,000</b>	<b>\$191,450</b>	<b>\$565,000</b>	<b>\$115,690</b>	<b>\$1,795,000</b>	<b>\$428,974</b>

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)**

Year Ending June 30	Gas Utility Revenue Note		Water Revenue Bond		Total Business Type Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ -	\$ 47,587	\$ 6,000	\$ 2,850	\$ 6,000	\$ 50,437
2011	-	40,120	6,000	2,670	6,000	42,790
2012	20,000	40,120	6,000	2,490	26,000	42,610
2013	25,000	38,940	6,000	2,310	31,000	41,250
2014	25,000	37,465	6,000	2,130	31,000	39,595
2015 – 2019	150,000	163,430	34,000	7,770	184,000	171,200
2020 – 2024	195,000	114,165	31,000	2,370	226,000	116,535
2025 – 2029	265,000	48,970	-	-	265,000	48,970
Total	\$680,000	\$ 530,797	\$ 95,000	\$22,590	\$775,000	\$ 553,387

In March 2009 the City purchased the natural gas utility and issued \$680,000 of gas revenue bonds to finance the acquisition. These bonds carry an interest rate of 5.9% and mature in 2029.

**NOTE 4 – PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

The City's payroll for employees covered by the System for the year ended June 30, 2009 was \$282,985. The total City payroll for the fiscal year was \$324,656. All full-time City employees are eligible to participate in IPERS. Benefits vest after 4 years (or 16 quarters) of service or when the employee attains the age of 55, whichever comes first. Employees are eligible to retire at or after age 55 and are entitled to an annual retirement benefit, payable monthly for life, in an amount calculated on an average of their highest 3 year average salary. IPERS also provides death and disability benefits.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$18,323, \$16,070, and \$14,262, respectively, equal to the required contributions for each year.

**NOTE 5 – COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation hours and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences and related benefits payable to employees at June 30, 2009 is as follows:

Type of Benefit	Amount
Vacation	<u>\$9,341</u>

This liability has been computed based on rates of pay as of June 30, 2009.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 5 – COMPENSATED ABSENCES (CONTINUED)**

As sick leave is not payable upon termination, retirement or death, the minimum accumulated sick leave is not presented as part of these financial statements.

**NOTE 6 – RISK MANAGEMENT**

The City of Alton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 7 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2009, is as follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General	\$ 167,685	\$ 17,016
Tax Increment Financing	57,757	324,363
Debt Service	170,280	-
Non-major Governmental	34,354	253,407
Electric	99,106	70,000
Water	15,469	-
Sewer	50,135	-
Gas	70,000	-
	<u>\$ 664,786</u>	<u>\$ 664,786</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.

**NOTE 8 – DEFICIT FUND BALANCE**

The City has one fund with an end of the year fund deficit. This deficit will be eliminated with future fund transfers and debt issuance when the project is completed.

**NOTE 9 – SUBSEQUENT EVENT**

In September 2009 the City authorized issuance of \$725,000 of General Obligation Capital Loan Notes for financing the 10<sup>th</sup> Street reconstruction.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF ALTON, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,**  
**DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL**  
**(CASH BASIS)- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2009**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>Receipts:</b>						
Taxes	\$ 374,802	\$ -	\$ 374,802	\$ 370,288	\$ 370,288	\$ 4,514
Special Assessments	29,131	-	29,131	7,464	7,464	21,667
Licenses and Permits	14,758	-	14,758	7,700	7,700	7,058
Intergovernmental	287,543	-	287,543	288,814	288,814	(1,271)
Charges for Services	78,602	1,105,224	1,183,826	1,376,178	1,434,178	(250,352)
Fines and Forfeits	1,196	-	1,196	-	-	1,196
Sale of Lots	38,948	-	38,948	-	-	38,948
TIF Revenue	407,675	-	407,675	435,141	435,141	(27,466)
Rental of City Property	5,107	-	5,107	-	-	5,107
Interest	17,054	47,686	64,740	55,230	55,230	9,510
Miscellaneous	28,284	-	28,284	6,000	6,000	22,284
Total Receipts	1,283,100	1,152,910	2,436,010	2,546,815	2,604,815	(168,805)
<b>Disbursements</b>						
Public Safety	150,458	-	150,458	149,423	149,423	(1,035)
Public Works	231,035	-	231,035	178,184	178,184	(52,851)
Health and Social Services	2,500	-	2,500	1,000	1,000	(1,500)
Culture and Recreation	118,510	-	118,510	132,656	132,656	14,146
Community and Economic Development	210,171	-	210,171	98,101	163,101	(47,070)
General Government	63,142	-	63,142	81,498	132,498	69,356
Capital Projects	82,390	-	82,390	445,000	445,000	362,610
Debt Service	308,518	8,000	316,518	490,628	490,628	174,110
Business Type / Enterprises	-	1,706,825	1,706,825	1,643,153	1,864,153	157,328
Total Disbursements	1,166,724	1,714,825	2,881,549	3,219,643	3,556,643	675,094
Excess (deficiency) of receipts over disbursements	116,376	(561,915)	(445,539)	(672,828)	(951,828)	506,289
<b>Other financing sources (uses):</b>						
Proceeds from Debt Financing	-	680,000	680,000	800,000	1,051,000	(371,000)
Transfers In	430,076	234,710	664,786	594,905	594,905	69,881
Transfers (Out)	(594,786)	(70,000)	(664,786)	(594,905)	(594,905)	(69,881)
Total other financing sources (uses)	(164,710)	844,710	680,000	800,000	1,051,000	(371,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(48,334)	282,795	234,461	127,172	99,172	135,289
Balances Beginning of Year	838,563	1,162,369	2,000,932	2,000,932	2,000,932	-
Balances End of Year	\$ 790,229	\$ 1,445,164	\$ 2,235,393	\$ 2,128,104	\$ 2,100,104	\$ 135,289

**CITY OF ALTON, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –**  
**BUDGETARY REPORTING**  
**JUNE 30, 2009**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annual adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the adopted budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budget disbursements by \$337,000. The budget amendment is reflected in the final budgeted amounts. Disbursements exceeded budgeted amounts in the Public Safety, Public Works, Health and Social Services, and Community and Economic Development functions.

## **OTHER SUPPLEMENTARY INFORMATION**

## CITY OF ALTON, IOWA

## COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH BALANCES.

Governmental Nonmajor Funds

For the Year Ended June 30, 2009

	Special Revenue Funds			
	Road Use Tax	Employee Benefits	Local Option Sales Tax	Housing TIF
Receipts:				
Property Taxes	\$ -	\$ 15,133	\$ -	\$ -
TIF Revenue	-	-	-	42,090
Intergovernmental	90,852	-	121,934	-
Interest on Investments	-	863	-	-
Miscellaneous	-	-	-	-
Total Receipts	90,852	15,996	121,934	42,090
Disbursements:				
Public Works	93,270	6,384	-	-
Community and Economic Development	-	2,148	-	-
General Government	-	5,326	-	-
Capital Outlay	-	-	-	-
Total Disbursements	93,270	13,858	-	-
Excess (Deficiency) of Receipts over Disbursements	(2,418)	2,138	121,934	42,090
Other financing sources (uses):				
Transfers In	-	22,688	-	-
Transfers Out	(26,672)	(15,000)	(121,934)	(89,801)
Total other financing sources (uses)	(26,672)	7,688	(121,934)	(89,801)
Net Change in Cash Balances	(29,090)	9,826	-	(47,711)
Cash Balances (Deficits) Beginning of Year	93,343	(9,826)	-	57,757
Cash Balances (Deficits) End of Year	\$ 64,253	\$ -	\$ -	\$ 10,046

Capital Project Funds			Total Governmental Nonmajor Funds
10th Street	Housing Rehabilitation	Industrial Park	
- \$	- \$	- \$	15,133
-	-	-	42,090
-	64,369	-	277,155
-	-	-	863
-	-	1,650	1,650
-	64,369	1,650	336,891
-	-	-	99,654
-	67,369	-	69,517
-	-	-	5,326
37,645	-	44,745	82,390
37,645	67,369	44,745	256,887
(37,645)	(3,000)	(43,095)	80,004
-	11,666	-	34,354
-	-	-	(253,407)
-	11,666	-	(219,053)
(37,645)	8,666	(43,095)	(139,049)
-	20,226	46,596	208,096
\$ (37,645)	\$ 28,892	\$ 3,501	\$ 69,047



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Alton  
Alton, Iowa

We have audited the financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Alton, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City of Alton's basic financial statements listed in the table of contents and have issued our report thereon dated December 10, 2009. The financial statements were prepared on the cash basis of accounting which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Alton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion of compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City of Alton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Alton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Alton's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Alton's financial statements that is more than inconsequential will not be prevented or detected by the City of Alton's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items II-A-09 and II-B-09 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Alton's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The City of Alton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City of Alton's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Alton and other parties to whom the City of Alton may report. This report is not intended to be used and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Alton during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
December 10, 2009

**CITY OF ALTON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Part I – Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

**No matters were reported.**

**SIGNIFICANT DEFICIENCIES:**

**II-A-09 Financial Accounting – Segregation of Duties**

Observation – The City accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The City should implement management review procedures which we feel would aid in improving the internal control of the City.

Response – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

Conclusion – Response accepted.

**II-B-09 Financial Reporting**

Observation – During the audit, we identified several transfers made from the TIF that were recorded in the general ledger as Bond Payments.

Recommendation – With limited personnel, the City should implement procedures to ensure that all cash disbursements are properly identified and recorded in the financial statements.

Response – The City will double check disbursements in the future to ensure that they are properly recorded in the financial statements.

Conclusion – Response accepted.



**CITY OF ALTON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Part III – Other Findings Related to Statutory Reporting**

**III-A-09 Certified Budget** – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the Public Safety, Public Works, Health and Social Services, and Community and Economic Development functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

**III-B-09 Questionable Disbursement** – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

**III-C-09 Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**III-D-09 Business Transactions** – There were no business transactions between the City and City officials or employees noted.

**III-E-09 Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**III-F-09 Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

**III-G-09 Revenue Notes** – The City was in compliance with the requirements of its revenue notes.

**III-H-09 Deposits and Investments** – The City does not have formal depository resolutions on file with local banks that are holding public funds.

Recommendation – The City Council should adopt formal depository resolutions in accordance with Iowa code.

Response – The City Council will approve depository resolutions as required.

Conclusion – Response accepted.

**III-I-09 Deficit Cash Balance** – The City has a deficit cash balance in the 10<sup>th</sup> Street Capital Project Fund. This deficit will be financed with debt issued when the project is completed.